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Message Text

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13
ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 SSO-00 NSCE-00 FEA-02 INT-08 INRE-00 DRC-01

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O 140900Z JUL 74
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC IMMEDIATE 7877
INFO AMCONSUL DHAHRAN
AMEMBASSY TEL AVIV
AMEMBASSY CAIRO

C O N F I D E N T I A L JIDDA 4034

E.O.: 11652: GDS
TAGS: EAID, EGEN, SA
SUBJ: INDUSTRIALIZATION WORKING GROUP: SAUDI EXPECTATIONS

REF : A. STATE 149750; B. STATE 148197

SUMMARY: SAUDIS HAVE HIGH BUT UNDEFINED EXPECTATIONS FOR INDUSTRIALIZATION AND OTHER WORKING GROUPS. THEY WANT ACTION, NOT MORE STUDIES BUT NOT SURE WHAT USG CAN PROVIDE THAT PRIVATE INDUSTRY CAN'T. THEY ANTICIPATE WORKING GROUPS WILL FUNCTION THROUGH EXCHANGES OF VISITS BY INDIVIDUAL EXPERTS UP TO ECONOMIC COMMISSION MEETING IN THE FALL. SAUDIS HAVE SET UP TEMPORARY ORGANIZATION WITH ONE MILLION RIYAL BUDGET TO FACILITATE WORKING GROUP ACTIVITIES. END SUMMARY.

1. IT IS CLEAR FROM RECENT CONVERSATIONS WITH SULAIMAN SOLAIM, SAUDI COORDINATOR FOR WORKING GROUPS, ADVISORS TO CENTRAL PLANNING ORGANIZATION AND OTHERS THAT SAUDIS ARE ENTHUSIASTIC AND HAVE HIGH EXPECTATIONS FOR OUTCOME
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OF INDUSTRIALIZATION AND OTHER WORKING GROUP MEETINGS.

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IT IS EQUALLY CLEAR THAT THEY HAVE NOT DEFINED THESE EXPECTATIONS. A QUESTION WHICH HAS SURFACED IN THEIR PREPARATORY WORKING GROUP MEETINGS AND WHICH HAS BEEN REFLECTED IN OUR CONVERSATIONS WITH SAUDI OFFICIALS IS "WHAT CAN WE GET FROM THE WORKING GROUPS AND THE USG THAT WE CANNOT GET FROM CONTINUATION AND DEVELOPMENT OF OUR TRADITIONAL CLOSE COOPERATION WITH AMERICAN BUSINESS FIRMS, SUCH AS BECHTEL?"

2. SAUDIS TEND TO BE CONVERVATIVE AND APPRECIATE THE VALUE OF STUDYING A QUESTION THOROUGHLY BEFORE ACTING. (CPO HAS BEEN INSTRUCTED TO MAKE AVAILABLE TO WORKING GROUPS LISTS OF STUDIES DONE ON SAUDI INDUSTRIALIZATION.) HOWEVER THEY ARE BEGINNING TO HAVE THE FEELING THEY HAVE BEEN STUDIED TO DEATH. THEY FEEL THAT THEY MUST NOW ACT DECISIVELY. THEY WANT AS SOON AS POSSIBLE TO HAVE SPECIFIC RECOMMENDATIONS ON HOW USG CAN ASSIST SAUDI INDUSTRIAL DEVELOPMENT--NOT RECOMMENDATIONS FOR FURTHER STUDIES.

3. SAUDIS CONSIDER THE MANDATE OF THE WORKING GROUPS TO HAVE BEEN SPELLED OUT IN THE TEXT OF JUNE 8 SAUDI-US JOINT STATEMENT. WITHIN THIS CONTEXT THEIR SIDE WILL HAVE BROAD AUTHORITY TO DISCUSS ISSUES. THEY PREFER TO KEEP SIZE OF THE WORKING GROUP LIMITED TO FACILITATE ITS WORK. HOWEVER, THEY WILL HAVE EXPERTS IN VARIOUS FIELDS STANDING BY TO CONTRIBUTE WHEN CALLED UPON. GROUP WILL NOT BE PREPARED TO DISCUSS WHAT THEY CONSIDER "POLICY" MATTERS OF PETROLEUM PRODUCTION LEVELS AND QUESTIONS OF SAUDI MONETARY INVESTMENTS.

4. IN REVIEWING THE PROPOSED AGENDA FOR INDUSTRIAL WORKING GROUP MEETINGS (REF B) SOLAIM TOLD US THAT VIRTUALLY EVERY ONE OF THE POINTS CONTAINED IN IT HAD ALREADY BEEN DISCUSSED WITHIN THE SAUDI WORKING GROUP. IN THE LIGHT OF THIS AGENDA THEY WILL DO EVEN MORE HOMEWORK. WE EXPECT TO HAVE THE OFFICIAL REACTION TO OUR AGENDA AND ANY PROPOSED CHANGES BY TUESDAY, JULY 16.

5. BY WAY OF ILLUSTRATING THE SERIOUSNESS WITH WHICH CONFIDENTIAL

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SAUDIS VIEW THE WORKING GROUPS, SOLAIM TOLD US THAT HE HAD BEEN ALLOTTED ONE MILLION RIYALS TO DISPENSE AS NECESSARY TO FACILITATE FUNCTIONING OF THE WORKING GROUPS. OFFICE SPACE HAS BEEN ACQUIRED AND WILL BE FURNISHED AND READY FOR USE ON A CONTINUING BASIS BY THE TIME THE FIRST US WORKING GROUP ARRIVES. PURPOSE OF THIS OFFICE, STAFFED BY U.S. UNIVERSITY GRADUATES, WILL BE TO FACILITATE THE WORK WITHIN SAUDI ARABIA OF VARIOUS INDIVIDUAL

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EXPERTS WHICH THE SAUDIS EXPECT WILL BE SHUTTLING BACK ANDFORTH BETWEEN SA AND THE US, BETWEEN THE TIME OF THE FIRST WORKING GROUP MEETING AND THE MEETING OF THE ECONOMIC COMMISSION IN THE FALL.

5. IN SUM, SAUDIS ARE EXPECTING FIRST WORKING GROUP MEETING TO COME UP WITH SOME SPECIFIC PROPOSALS. HOWEVER, THEY EXPECT THE WORKING GROUPS TO CONTINUE FUNCTIONING AFTER THE FIRST MEETING WITH REGULAR EXCHANGES OF VISITS TAKING PLACE AS A REPORT IS WORKED UP FOR APPROVAL BY ECONOMIC COMMISSION.

6. A PRIVATE US ADVISORY TEAM TO THE CENTRAL PLANNING ORGANIZATION (PROFESSORS HAGEN, A.J. MEYER, AND JOHN DUNLOP) DISCUSSED WITH US THE MEETINGS THEY HAVE HELD WITH SAUDI OFFICIALS CONCERNING INDUSTRIALIZATION AND MANPOWER WORKING GROUP PROGRAM. PRESIDENT OF THE CENTRAL PLANNING ORGANIZATION HISHAM NAZIR CLEARLY INTENDS INSERT HIMSELF ON A HIGH LEVEL INTO THE SAUDI-US RELATIONSHIP.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, INDUSTRIAL DEVELOPMENT, MEETINGS, COMMITTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 14 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JIDDA04034
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740188-0496
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740750/aaaabqwy.tel
Line Count: 135
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A. STATE 149750; B. STATE 148197
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 13 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13-Aug-2002 by shawdg>; APPROVED <26 MAR 2003 by ShawDG>
Review Markings:

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US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDUSTRIALIZATION WORKING GROUP: SAUDI EXPECTATIONS
TAGS: EAID, EGEN, SA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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